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**Return of Organization Exempt From Income Tax**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury  
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

**A** For the 2002 calendar year, or tax year period beginning and ending

**B** Check if applicable:  
 Address change  
 Name change  
 Initial return  
 Final return  
 Amended return  
 Application pending

Please use IRS label or print or type See Specific Instructions

**C** Name of organization  
**Minnesota Council of Nonprofits, Inc.**  
 Number and street (or P O box if mail is not delivered to street address) Room/suite  
**2314 University Avenue West 20**  
 City or town, state or country, and ZIP + 4  
**Saint Paul, MN 55114**

**D** Employer identification number  
**36-3501477**

**E** Telephone number  
**651-642-1904**

**F** Accounting method:  Cash  Accrual  
 Other (specify) ▶

**G** Web site ▶ **www.mncn.org**

**J** Organization type (check only one) ▶  501(c)(3) ( ) (insert no.)  4947(a)(1) or  527

**K** Check here  if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

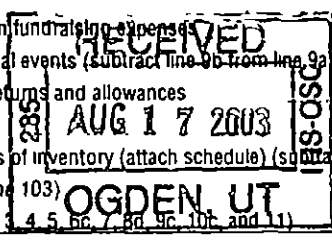
**L** Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **1,134,551.**

**M** Check  if the organization is not required to attach Sch B (Form 990, 990-EZ, or 990-PF)

**H and I are not applicable to section 527 organizations**  
**H(a)** Is this a group return for affiliates?  Yes  No  
**H(b)** If "Yes," enter number of affiliates ▶  
**H(c)** Are all affiliates included? N/A  Yes  No (If "No," attach a list)  
**H(d)** Is this a separate return filed by an organization covered by a group ruling?  Yes  No  
**I** Enter 4-digit GEN ▶  
**M** Check  if the organization is not required to attach Sch B (Form 990, 990-EZ, or 990-PF)

**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances**

Revenue		Expenses		Net Assets	
1	Contributions, gifts, grants and similar amounts received				
a	Direct public support	1a	570,463.		
b	Indirect public support	1b			
c	Government contributions (grants)	1c			
d	Total (add lines 1a through 1c) (cash \$ 570,463. noncash \$ )	1d	570,463.		
2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	292,146.		
3	Membership dues and assessments	3	257,921.		
4	Interest on savings and temporary cash investments	4	7,611.		
5	Dividends and interest from securities	5			
6a	Gross rents	6a			
b	Less rental expenses	6b			
c	Net rental income or (loss) (subtract line 6b from line 6a)	6c			
7	Other investment income (describe ▶ )	7			
8a	Gross amount from sale of assets other than inventory	(A) Securities		(B) Other	
b	Less cost or other basis and sales expenses	8a			
c	Gain or (loss) (attach schedule)	8b			
d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8c			
8d					
9	Special events and activities (attach schedule)				
a	Gross revenue (not including \$ of contributions reported on line 1a)	9a			
b	Less direct expenses other than fundraising expenses	9b			
c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c			
10a	Gross sales of inventory, less returns and allowances	10a			
b	Less cost of goods sold	10b			
c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c			
11	Other revenue (from Part VII, line 103)	11	6,410.		
12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	1,134,551.		
13	Program services (from line 44, column (B))	13	1,216,733.		
14	Management and general (from line 44, column (C))	14	110,253.		
15	Fundraising (from line 44, column (D))	15	51,863.		
16	Payments to affiliates (attach schedule)	16			
17	Total expenses (add lines 16 and 44, column (A))	17	1,378,849.		
18	Excess or (deficit) for the year (subtract line 17 from line 12)	18	<244,298.>		
19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	1,207,653.		
20	Other changes in net assets or fund balances (attach explanation)	20	<2,312.>		See Statement 2
21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	961,043.		



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**Part II Statement of Functional Expenses**

All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) cash \$ <u>9,042</u> - noncash \$ _____	22	9,042.	9,042.	Statement 5
23	Specific assistance to individuals (attach schedule)	23			
24	Benefits paid to or for members (attach schedule)	24			
25	Compensation of officers, directors etc	25	125,347.	87,226.	23,841.
26	Other salaries and wages	26	523,738.	466,560.	37,677.
27	Pension plan contributions	27	29,150.	24,865.	2,763.
28	Other employee benefits	28	47,328.	40,399.	4,485.
29	Payroll taxes	29	49,864.	42,530.	4,725.
30	Professional fundraising fees	30			
31	Accounting fees	31	6,684.		6,684.
32	Legal fees	32			
33	Supplies	33	16,367.	14,459.	1,232.
34	Telephone	34	25,906.	23,210.	1,741.
35	Postage and shipping	35	34,743.	31,750.	1,933.
36	Occupancy	36	99,737.	86,920.	8,277.
37	Equipment rental and maintenance	37	32,243.	30,614.	1,052.
38	Printing and publications	38	52,060.	50,505.	1,004.
39	Travel	39	14,841.	13,980.	556.
40	Conferences, conventions, and meetings	40	13,969.	4,546.	9,423.
41	Interest	41			
42	Depreciation, depletion etc (attach schedule)	42	30,667.	26,164.	2,907.
43	Other expenses not covered above (itemize)				
a	_____	43a			
b	_____	43b			
c	_____	43c			
d	_____	43d			
e	See Statement 3	43e	267,163.	263,963.	1,953.
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D) carry these totals to lines 13-15	44	1,378,849.	1,216,733.	110,253.

Joint Costs Check  if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  Yes  No

If "Yes," enter (i) the aggregate amount of these joint costs \$ \_\_\_\_\_, (ii) the amount allocated to Program services \$ \_\_\_\_\_,

(iii) the amount allocated to Management and general \$ \_\_\_\_\_, and (iv) the amount allocated to Fundraising \$ \_\_\_\_\_

**Part III Statement of Program Service Accomplishments**

What is the organization's primary exempt purpose?  See Statement 4

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

**Program Service Expenses**  
(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts but optional for others)

a	Education - see Attachment	(Grants and allocations \$ _____)	383,426.
b	Public Policy - see Attachment	(Grants and allocations \$ _____)	256,030.
c	Member Services - see Attachment	(Grants and allocations \$ _____)	224,631.
d	Research - see Attachment	(Grants and allocations \$ 9,042.)	213,761.
e	Other program services (attach schedule) Statement 6	(Grants and allocations \$ _____)	138,885.
f	Total of Program Service Expenses (should equal line 44, column (B), Program services)		1,216,733.

**Part IV Balance Sheets**

Note Where required, attached schedules and amounts within the description column should be for end-of-year amounts only

		(A) Beginning of year		(B) End of year
Assets	45 Cash - non-interest-bearing	450,422.	45	518,836.
	46 Savings and temporary cash investments	10,338.	46	8,047.
	47 a Accounts receivable	47a 23,508.		
	b Less allowance for doubtful accounts	47b	8,370.	47c 23,508.
	48 a Pledges receivable	48a 292,500.		
	b Less allowance for doubtful accounts	48b	599,250.	48c 292,500.
	49 Grants receivable		49	
	50 Receivables from officers, directors, trustees, and key employees		50	
	51 a Other notes and loans receivable	51a		
	b Less allowance for doubtful accounts	51b		51c
	52 Inventories for sale or use		23,038.	52 31,619.
	53 Prepaid expenses and deferred charges		11,708.	53 15,810.
	54 Investments - securities	▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54
	55 a Investments - land, buildings, and equipment basis	55a		
	b Less accumulated depreciation	55b		55c
56 Investments - other			56	
57 a Land, buildings, and equipment basis	57a 183,094.			
b Less accumulated depreciation Stmt 7	57b 86,139.	108,844.	57c 96,955.	
58 Other assets (describe ▶ See Statement 8 )		27,077.	58 5,955.	
59 Total assets (add lines 45 through 58) (must equal line 74)		1,239,047.	59 993,230.	
Liabilities	60 Accounts payable and accrued expenses	23,344.	60	20,987.
	61 Grants payable		61	
	62 Deferred revenue	8,050.	62	11,200.
	63 Loans from officers, directors, trustees, and key employees		63	
	64 a Tax-exempt bond liabilities		64a	
	b Mortgages and other notes payable		64b	
	65 Other liabilities (describe ▶ )		65	
66 Total liabilities (add lines 60 through 65)		31,394.	66 32,187.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74			
	67 Unrestricted	38,216.	67	164,817.
	68 Temporarily restricted	1,169,437.	68	796,226.
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72 column (A) must equal line 19, column (B) must equal line 21)		1,207,653.	73 961,043.
	74 Total liabilities and net assets / fund balances (add lines 66 and 73)		1,239,047.	74 993,230.

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.



Part VI Other Information		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes		X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement		X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers etc., to any other exempt or nonexempt organization?	X	
b	If "Yes," enter the name of the organization <b>Bemidji Area Council of Nonprofits</b> and check whether it is <input checked="" type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81 a	Enter direct or indirect political expenditures See line 81 instructions <b>81a</b> 0.		
b	Did the organization file Form 1120-POL for this year?		X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III) <b>82b</b> N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions? N/A		
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A		
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members? N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? N/A		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year		
c	Dues, assessments, and similar amounts from members <b>85c</b> N/A		
d	Section 162(e) lobbying and political expenditures <b>85d</b> N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices <b>85e</b> N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) <b>85f</b> N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? N/A		
h	If section 6033(e)(1)(A) dues notices were sent does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? N/A		
86	501(c)(7) organizations Enter a Initiation fees and capital contributions included on line 12 <b>86a</b> N/A		
b	Gross receipts, included on line 12, for public use of club facilities <b>86b</b> N/A		
87	501(c)(12) organizations Enter a Gross income from members or shareholders <b>87a</b> N/A		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) <b>87b</b> N/A		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes" complete Part IX		X
89 a	501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 <b>0.</b> , section 4912 <b>0.</b> , section 4955 <b>0.</b>		
b	501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes" attach a statement explaining each transaction		X
c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <b>0.</b>		
d	Enter Amount of tax on line 89c, above, reimbursed by the organization <b>0.</b>		
90 a	List the states with which a copy of this return is filed <b>Minnesota</b>		
b	Number of employees employed in the pay period that includes March 12, 2002 <b>90b</b> 16		
91	The books are in care of <b>Mr. Jon Pratt</b> Telephone no <b>651-642-1904</b>		
	Located at <b>2314 University Ave. W., #20, Saint Paul MN</b> ZIP +4 <b>55114</b>		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year <b>92</b> N/A		

**Part VII Analysis of Income-Producing Activities** (See page 31 of the instructions)

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
<b>Note</b> Enter gross amounts unless otherwise indicated					
93 Program service revenue					
a Member services					129,367.
b Annual meeting income					64,480.
c Publications					74,443.
d Commissions/marketing					23,856.
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					257,921.
95 Interest on savings and temporary cash investments			14	7,611.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue					
a Miscellaneous income			01	6,410.	
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		14,021.	550,067.
105 Total (add line 104, columns (B), (D), and (E))					564,088.

**Note** Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 32 of the instructions)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
	See Statement 10

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 32 of the instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 33 of the instructions)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  Yes  No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  Yes  No

**Note** If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

**Please Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: Jon Pratt Date: 8-13-03 Type or print name and title: Jon Pratt EXECUTIVE DIRECTOR

Paid Preparer's Use Only: Preparer's signature: Sherry D. Heffernan Date: 08/11/03 Check if self-employed:  Preparer's SSN or PTIN: \_\_\_\_\_

Firm's name (or yours if self-employed) address, and ZIP + 4: Sherry D. Heffernan, Ltd. 6650 Horseshoe Bend Dr. Corcoran MN 55340 EIN: \_\_\_\_\_ Phone no: 763-478-6518

**SCHEDULE A**  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

**Organization Exempt Under Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

**Supplementary Information-(See separate instructions.)**  
▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

**2002**

Name of the organization: **Minnesota Council of Nonprofits, Inc.**  
Employer identification number: **36 3501477**

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**  
(See page 1 of the instructions List each one If there are none, enter "None")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
Marcia Avner 2314 University Ave. W., St. Paul MN	Public Policy 40	65,293.	3,265.	
Nan Madden 2324 University Ave. W., St. Paul MN	BudgetProject 40	50,558.	2,528.	
Total number of other employees paid over \$50,000	▶ 0			

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**  
(See page 2 of the instructions List each one (whether individuals or firms) if there are none, enter "None")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Kruskopf Olson 417 First Ave N, #400, Mpls MN 55401	Media Consultant	68,302.
Total number of others receiving over \$50,000 for professional services	▶ 0	



**Part III Statements About Activities** (See page 2 of the instructions )

- 1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities **\$ 79,163.** (Must equal amounts on line 38, Part VI-A, or line 1 of Part VI-B ) **VI-A, line 38b**
- Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities
- 2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions )
- a Sale, exchange, or leasing of property?
- b Lending of money or other extension of credit?
- c Furnishing of goods, services, or facilities?
- d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? **See Part V, Form 990**
- e Transfer of any part of its income or assets?
- 3 Does the organization make grants for scholarships, fellowships, student loans, etc ? (See Note below )
- 4 Do you have a section 403(b) annuity plan for your employees?

	Yes	No
1	X	
2a		X
2b		X
2c		X
2d	X	
2e		X
3		X
4		X

Note Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments

**Part IV Reason for Non-Private Foundation Status** (See pages 3 through 5 of the instructions )

The organization is not a private foundation because it is (Please check only ONE applicable box )

- 5  A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6  A school Section 170(b)(1)(A)(ii) (Also complete Part V )
- 7  A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8  A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9  A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state
- 10  An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the Support Schedule in Part IV-A )
- 11a  An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A )
- 11b  A community trust Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A )
- 12  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc , functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the Support Schedule in Part IV-A )
- 13  An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3) )

Provide the following information about the supported organizations (See page 5 of the instructions )

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14  An organization organized and operated to test for public safety Section 509(a)(4) (See page 5 of the instructions )

**Part IV-A Support Schedule** (Complete only if you checked a box on line 10, 11, or 12) Use cash method of accounting  
 Note You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	791,980.	450,635.	663,922.	292,844.	2,199,381.
16 Membership fees received	281,570.	317,808.	188,036.	122,965.	910,379.
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable etc. purpose	223,451.	184,057.	184,605.	150,896.	743,009.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	6,545.	9,521.	7,096.	7,502.	30,664.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.					
23 Total of lines 15 through 22	1,303,546.	962,021.	1,043,659.	574,207.	3,883,433.
24 Line 23 minus line 17	1,080,095.	777,964.	859,054.	423,311.	3,140,424.
25 Enter 1% of line 23	13,035.	9,620.	10,437.	5,742.	
26 Organizations described on lines 10 or 11	a Enter 2% of amount in column (e), line 24				26a 62,808.
	b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1998 through 2001 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the sum of all these excess amounts.				26b 1,037,510.
	c Total support for section 509(a)(1) test. Enter line 24, column (e).				26c 3,140,424.
	d Add Amounts from column (e) for lines 18	30,664.	19		
	22		26b	1,037,510.	26d 1,068,174.
	e Public support (line 26c minus line 26d total)				26e 2,072,250.
	f Public support percentage (line 26e (numerator) divided by line 26c (denominator))				26f 65.9863%
27 Organizations described on line 12	a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: (2001) N/A (2000) (1999) (1998)				
	b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2001) (2000) (1999) (1998)				
	c Add Amounts from column (e) for lines 15				
	17	20	21		27c N/A
	d Add Line 27a total and line 27b total				27d N/A
	e Public support (line 27c total minus line 27d total)				27e N/A
	f Total support for section 509(a)(2) test. Enter amount on line 23, column (e).				27f N/A
	g Public support percentage (line 27e (numerator) divided by line 27f (denominator))				27g N/A %
	h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))				27h N/A %

28 Unusual Grants For an organization described in line 10, 11, or 12 that received any unusual grants during 1998 through 2001, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

**Part V Private School Questionnaire** (See page 7 of the instructions)

N/A

**(To be completed ONLY by schools that checked the box on line 6 in Part IV)**

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes" please describe, if "No," please explain (If you need more space, attach a separate statement )		
_____			
_____			
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures announcements and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement )	32d	
_____			
33	Does the organization discriminate by race in any way with respect to		
a	Students rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement )	33h	
_____			
_____			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation	35	

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See page 9 of the instructions )

(To be completed ONLY by an eligible organization that filed Form 5768)

Check  a  if the organization belongs to an affiliated group Check  b  if you checked "a" and "limited control" provisions apply

<b>Limits on Lobbying Expenditures</b>		(a) Affiliated group totals	(b) To be completed for ALL electing organizations										
(The term "expenditures" means amounts paid or incurred )													
		N/A											
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)		49,801.										
37	Total lobbying expenditures to influence a legislative body (direct lobbying)		29,362.										
38	Total lobbying expenditures (add lines 36 and 37)		79,163.										
39	Other exempt purpose expenditures		1,299,686.										
40	Total exempt purpose expenditures (add lines 38 and 39)		1,378,849.										
41	Lobbying nontaxable amount Enter the amount from the following table -												
If the amount on line 40 is - <table style="margin-left: 20px;"> <tr> <td>Not over \$500,000</td> <td>The lobbying nontaxable amount is -</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>20% of the amount on line 40</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> </table>		Not over \$500,000	The lobbying nontaxable amount is -	Over \$500,000 but not over \$1,000,000	20% of the amount on line 40	Over \$1,000,000 but not over \$1,500,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,500,000 but not over \$17,000,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	41	212,885.
Not over \$500,000	The lobbying nontaxable amount is -												
Over \$500,000 but not over \$1,000,000	20% of the amount on line 40												
Over \$1,000,000 but not over \$1,500,000	\$100,000 plus 15% of the excess over \$500,000												
Over \$1,500,000 but not over \$17,000,000	\$175,000 plus 10% of the excess over \$1,000,000												
Over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000												
42	Grassroots nontaxable amount (enter 25% of line 41)	42	53,221.										
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	0.										
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	0.										

**Caution** If there is an amount on either line 43 or line 44, you must file Form 4720

**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions )

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total
45	212,885.	177,551.	174,825.	143,446.	708,707.
46					1,063,061.
47	79,163.	28,246.	6,752.	5,770.	119,931.
48	53,221.	44,388.	43,706.	35,862.	177,177.
49					265,766.
50	49,801.	14,494.	6,077.	5,193.	75,565.

**Part VI-B Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions )

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a Volunteers
- b Paid staff or management (Include compensation in expenses reported on lines c through h )
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars conventions, speeches, lectures or any other means
- i Total lobbying expenditures (Add lines c through h )

Yes	No	Amount
		0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

**Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations** (See page 12 of the instructions.)

**51** Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

- a** Transfers from the reporting organization to a noncharitable exempt organization of
  - (i) Cash
  - (ii) Other assets
- b** Other transactions
  - (i) Sales or exchanges of assets with a noncharitable exempt organization
  - (ii) Purchases of assets from a noncharitable exempt organization
  - (iii) Rental of facilities, equipment or other assets
  - (iv) Reimbursement arrangements
  - (v) Loans or loan guarantees
  - (vi) Performance of services or membership or fundraising solicitations

	Yes	No
<b>51a(i)</b>		X
<b>a(ii)</b>		X
<b>b(i)</b>		X
<b>b(ii)</b>		X
<b>b(iii)</b>		X
<b>b(iv)</b>		X
<b>b(v)</b>		X
<b>b(vi)</b>		X
<b>c</b>		X

**c** Sharing of facilities, equipment, mailing lists, other assets, or paid employees

**d** If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received

N/A

(a) Line no	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements

**52 a** Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?  Yes  No

**b** If "Yes," complete the following schedule N/A

(a) Name of organization	(b) Type of organization	(c) Description of relationship

2002 DEPRECIATION AND AMORTIZATION REPORT

990

FORM 990 Page 2

Asset No	Description	Date Acquired	Method	Life	Line No	Unadjusted Cost Or Basis	Bus % Excl	Reduction In Basis	Basis For Depreciation	Accumulated Depreciation	Current Sec 179	Amount Or Depreciation
1	Furniture	Varies	SL	5.00	16	75,381.			75,381.	40,328.		13,401.
2	Equipment	Varies	SL	5.00	16	88,935.			88,935.	15,144.		15,076.
3	Leasehold improvements	07/01/02	SL	60.00	16	3,500.			3,500.			515.
4	Telephone systems and computers	07/01/02	SL	5.00	16	15,278.			15,278.			1,675.
	* Total 990 page 2					183,094.		0.	183,094.	55,472.	0.	30,667.
	Depr											

\* ITC, Section 179, Salvage, HR 3090, Commercial Revitalization Deduction

(D) - Asset disposed

**ATTACHMENT TO AND MADE PART OF 2002 FORM 990 FOR TAXPAYER:  
Minnesota Council of Nonprofits, Inc.  
ID #36-3501477**

**Page 2, Part III Statement of Program Service Accomplishments for Lines a, b, c, d and e:**

**Education**

A total of 2,700 nonprofit staff members and leaders attended at least one of 32 workshops and briefings sponsored or co-sponsored by MCN. These events, held throughout Minnesota, addressed management, technology, fundraising, and public policy issues. Also, 500 people participated in MCN's 2002 Annual Conference, "No Nonprofit Works Alone: Organizing Nonprofit Networks," held on October 10 and 11, 2002 in Duluth, Minnesota.

In 2002, MCN published two new educational resources: *2003 Minnesota Grants Directory*, a directory of 73 Minnesota community foundations, corporate giving programs, and private foundations; *2002 Minnesota Nonprofit Salary and Benefits Survey*, the third edition of this resource, with data from 696 organizations with a combined total of 41,675 employees. MCN distributed almost 4,000 publications to MCN members and other nonprofits throughout the state in 2002, including the *2003 Minnesota Grants Directory*, *2002 Minnesota Nonprofit Salary and Benefits Survey*, *Minnesota Nonprofit Directory*, *Lobbying and Advocacy Handbook*, and the *Handbook for Starting a Successful Nonprofit*.

MCN relaunched its Web site, [www.mncn.org](http://www.mncn.org) in 2002, offering even more information to the Internet audience including online registration and purchasing of event registrations, publications and memberships.

**Public Policy**

In 2002, MCN provided Minnesota's nonprofits with public policy information and advocacy training through multiple venues. MCN offered over 10 trainings on topics including strategy planning for public policy work, nonprofit lobbying, media advocacy, nonprofit lobbying and the law, and fiscal policy. MCN held a day long policy conference on November 19, 2002 as well as a Session Preview, Nonprofit Action Day, and Session Wrap Up. MCN sponsored over 10 briefings, including sessions on the budget forecast, budget proposals, revenue options, demographics and agency priorities.

MCN offered timely information to nonprofits throughout the legislative session via 35 legislative updates sent via email and fax and posted at the MCN website. To inform and support its public policy efforts, MCN regularly convened a 60 member public policy cabinet comprised of leaders in nonprofit agencies statewide.

MCN also supported the public policy efforts of other coalitions and organizations. Policy staff did trainings in advocacy and policy for over 25 organizations. In addition, MCN provided over 30 organizations with briefings, speeches and facilitation of group discussions and planning.

**ATTACHMENT TO AND MADE PART OF 2002 FORM 990 FOR TAXPAYER:  
Minnesota Council of Nonprofits, Inc.  
ID #36-3501477**

**Page 2, Part III Statement of Program Service Accomplishments for Lines a, b, c, d and e:**

**Public Policy, continued**

MCN staff authored a lobbying and advocacy handbook that was published in 2002 and was used in 6 workshops emphasizing capacity building and strategic planning for public policy work

**Member Services**

The Minnesota Council of Nonprofits had 1,247 nonprofit members and 109 associate members MCN distributed over 1,800 resource publications free of charge to new and renewing members Members also received discounts on publications, workshops, including the Annual Conference, cost saving programs and more MCN's quarterly newsletter, Nonprofit News, provided members with updates on management trends and new resources for the nonprofit sector Members are also eligible to save money with cost-savings programs - including banking, director's and officer's liability insurance, employee benefit programs, national nonprofit periodicals, and more

**Research**

MCN updated its annual *Minnesota Nonprofit Economy Report*, a financial overview of Minnesota's nonprofit organizations and nonprofit employees The *Report* uses data from the Minnesota Department of Economic Security and the Office of the Minnesota Attorney General to analyze growth trends regarding the number of nonprofit organizations and nonprofit employees, average wages for nonprofit employees, and nonprofit revenue sources and expenditures For the first time, the report was expanded to include detailed information about each region of the state, as well as state-level trends

The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, conducts research on Minnesota's budget and tax decisions In 2002, the Minnesota Budget Project released a major research report called *Trends in Minnesota Government Spending*, which took a comprehensive look at state and local government spending in Minnesota over a 10-year period The Minnesota Budget Project also released smaller analytical pieces on the state's budget process, growth in government spending, options to address the state's budget deficit, unemployment assistance, poverty rates, income levels, and health coverage in Minnesota, tools for understanding state budget and tax decisions, state economic forecasts, how state surpluses were used, Minnesota's tax system, and legislative budget and tax proposals, emphasizing their impact on tax fairness and low- and moderate-income Minnesotans



**ATTACHMENT TO AND MADE PART OF 2002 FORM 990 FOR TAXPAYER:  
Minnesota Council of Nonprofits, Inc.  
ID #36-3501477**

**Page 2, Part III Statement of Program Service Accomplishments for Lines a, b, c, d and e:**

**Research, continued**

MBP held several events that were attended by representatives of nonprofits, organized philanthropy, state and local government, and the media. These included a briefing on the state's economic outlook with the State Economist and a presentation on revenue-raising options to address the state's deficit.

In 10 events sponsored by other organizations ranging from the United Way to the Minnesota Chamber of Commerce, BP staff presented on state budget issues.

**Advocacy**

In 2002, Minnesota's nonprofits faced an immediate state level freeze on grants and contracts (beginning in November, 2001) and legislative proposals for significant cuts in funding for nonprofit programs and services as part of the solution to the state's budget deficit. MCN launched an advocacy campaign that included research, education, organizing, media advocacy, and lobbying to gather support for the partnership between government and nonprofits. Using the theme, "Think twice before you cut nonprofits," MCN 1) compiled information about the freeze and proposed cuts as well as anticipated impacts, 2) conducted informational briefings for nonprofits about legislative proposals and possible impacts, 3) developed materials to make the case for government funding of nonprofit services, 4) posted updated information at the MCN website on a regular basis as the session progressed, 5) met with elected officials, and 6) conducted a media campaign.

Form 990	Other Changes in Net Assets or Fund Balances	Statement	2
Description		Amount	
Decline in market value of investments		<2,307.>	
Rounding difference		<5.>	
Total to Form 990, Part I, line 20		<2,312.>	

Form 990	Other Expenses				Statement	3
Description	(A) Total	(B) Program Services	(C) Management and General	(D) Fundraising		
Bank and credit card fees	3,212.	3,029.		183.		
Dues and subscriptions	3,351.	3,007.	222.	122.		
Advertising	1,827.	1,827.				
Workshop expense	44,752.	44,752.				
Annual conference costs	52,230.	52,230.				
Consultants	138,958.	138,958.				
Miscellaneous	22,833.	20,160.	1,731.	942.		
Total to Fm 990, ln 43	267,163.	263,963.	1,953.	1,247.		

Form 990 Statement of Organization's Primary Exempt Purpose Statement 4  
Part III

Explanation

to provide research, advocacy, training and educational activities to help member and non-member nonprofit organizations be more efficient and effective and to increase public understanding of Minnesota's nonprofit organizations.

Form 990 Cash Grants and Allocations Statement 5

Classification	Donee's Name	Donee's Address	Donee's Relationship	Amount
Start-up grant	MN Asso. Children's Mental Health	165 Western Ave, St. Paul MN 55102	None	9,042.
Total Included on Form 990, Part II, line 22				9,042.

Form 990 Other Program Services Statement 6

Description	Grants and Allocations	Expenses
See Attachment		138,885.
Total to Form 990, Part III, line e		138,885.

Form 990 Depreciation of Assets Not Held for Investment Statement 7

Description	Cost or Other Basis	Accumulated Depreciation	Book Value
Furniture	75,381.	53,729.	21,652.
Equipment	88,935.	30,220.	58,715.
Leasehold improvements	3,500.	515.	2,985.
Telephone systems and computers	15,278.	1,675.	13,603.
Total to Form 990, Part IV, ln 57	183,094.	86,139.	96,955.

Form 990 Other Assets Statement 8

Description	Amount
Cash restricted for office relocation and equipment	5,955.
Total to Form 990, Part IV, line 58, Column B	5,955.

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Form 990                      Part V - List of Officers, Directors, Trustees and Key Employees                      Statement 9

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Name and Address	Title and Avrg Hrs/Wk	Compen- sation	Employee Ben Plan Contrib	Expense Account
Paul Carrizales 2314 University Ave W, #20 Saint Paul MN 55114	Vice-Chair 1	0.	0.	0.
Yvonne Cheung Ho 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Karen Diver 2314 University Ave W, #20 Saint Paul MN 55114	Chair (thru 6/02) 1.25	0.	0.	0.
Folarin Ero-Phillips 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Mary Hartnett 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Steve Hubbard 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Nancy Kleeman 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Craig Luedemann 2314 University Ave W, #20 Saint Paul MN 55114	Treasurer 1	0.	0.	0.
Mike McMonigal 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Dennis Montgomery 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Debra Moon 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.

Wendy Roy 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Sarah Stoesz 2314 University Ave W, #20 Saint Paul MN 55114	Chair (starting 7/02) 1.25	0.	0.	0.
James Toscano 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Joan Wells 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Jeff Washburne 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Tina Welsh 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Michael Wirth-Davis 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Michelle Woster 2314 University Ave W, #20 Saint Paul MN 55114	Director .5	0.	0.	0.
Jon Pratt 2314 University Ave W, #20 Saint Paul MN 55114	Executive Director 40	80,120.	4,006.	0.
Sondra Reiss 2314 University Ave W, #20 Saint Paul MN 55114	Associate Director 40	45,227.	2,261.	0.

Totals Included on Form 990, Part V	<u>125,347.</u>	<u>6,267.</u>	<u>0.</u>
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Form 990                      Part VIII - Relationship of Activities to                      Statement 10  
    Accomplishment of Exempt Purposes

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Line      Explanation of Relationship of Activities

93a&      Fees from members services and the annual meeting income were used to  
 b          distribute over 1800 resource publications free of charge to new and  
             renewing members. Members also recieved discounts on publications and  
             workshops, the quarterly newsletter, and were provided with updates on  
             trends and resources for the nonprofit sector.

- 93c Revenues from publications were used to update publications such as the "2003 MN Grants Directory," the 2002 MN Nonprofit Salary and Benefits Survey," and numerous other publications.
- 93d Commission and marketing income was earned by providing workshops and briefings sponsored or co-sponsored by MCN to 2700 nonprofit staff members and leaders.